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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte WILLIAM E. TAYLOR

Appeal 2008-3001
Application 10/016,385
Technology Center 3600

Decided: September 10, 2008

Before MURRIEL E. CRAWFORD, HUBERT C. LORIN, and MICHAEL W. O'NEILL, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge.*

DECISION ON APPEAL

STATEMENT OF THE CASE

William E. Taylor (Appellant) seeks our review under 35 U.S.C. § 134 of the final rejection of claims 1-7, 9-23, 48, and 49. Claims 24-47 have been withdrawn and claim 8 has been cancelled. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

SUMMARY OF DECISION

We AFFIRM.[1]

THE INVENTION

The invention "relates generally to the sale and leasing of equipment, and more particularly, to a computer based system and method for automatically determining taxes for equipment contracts." (Specification [01]). "Several systems are currently available that electronically determine tax rates using limited tax logic. However, these systems are generally simple tax calculation systems based on the location in which a sale took place. These systems do not take into consideration analysis of the type of lease in determining the appropriate taxes." (Specification [09]). "After the formal contract documents have been prepared the determination of the applicable taxes must be completed. The calculation of sales and use taxes for equipment leases is dependent upon many variables. The variables are dependent on factors such as the structure of the lease, the location of the equipment, etc… . In addition to the amount of sales and use taxes owed, proper analysis is needed to determine who is responsible for the taxes, and the due date for taxes." (Specification [07]). "In one embodiment of the present invention, a computer based system for automatically determining taxes for a contract for equipment is provided. The system includes a database for storing a set of state and local tax rules and a controller coupled to the database. The controller is adapted to receive a set of contract

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[1] Our decision will make reference to Appellant's Appeal Brief ("App. Br.," filed Apr. 27, 2007) and Reply Brief ("Reply Br.," filed Dec. 12, 2007), and the Examiner's Answer ("Answer," mailed Oct. 12, 2007).

characteristics and the customer location information input by a user and automatically determine an appropriate set of state and local tax rules to apply as a function of the customer location information. The controller is also adapted to determine a contract type based on the contract characteristics under the set of state and local tax rules and to calculate a tax amount based on the contract characteristics." (Specification [11]).

Claim 1, reproduced below, is illustrative of the subject matter on appeal.

> 1. A computer based method for automatically determining taxes for a contract for equipment, including the steps of:
>
> establishing a set of contract characteristics;
>
> establishing customer location information;
>
> determining a contract type based on the contract characteristics;
>
> automatically determining an appropriate set of tax rules to apply as a function of the customer location information, the contract characteristics, and the contract type;
>
> calculating a tax amount based on the contract characteristics, the contract type, and the set of tax rules; and
>
> selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules;
>
> wherein the above steps are performed using a computer program.

THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

Hoyt	US 6,067,531	May 23, 2000
Manzi	US 6,298,333 B1	Oct. 2, 2001
Longfield	US 5,724,523	Mar. 3, 1998

The following rejection is before us for review:

1. Claims 1-7, 9-23, 48, and 49 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Hoyt, Manzi, and Longfield.

ISSUE

The issue before us is whether the Appellant has shown that the Examiner erred in rejecting claims 1-7, 9-23, 48, and 49 under 35 U.S.C. §103(a) as being unpatentable over Hoyt, Manzi, and Longfield.

FINDINGS OF FACT

We find that the following enumerated findings of fact (FF) are supported by at least a preponderance of the evidence. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (explaining the general evidentiary standard for proceedings before the Office).

Claim construction

1. Claim 1 is drawn to a method comprising six steps, the first five steps being "establishing a set of contract characteristics;" "establishing customer location information;" "determining a contract type based on the contract characteristics;" "automatically determining an appropriate set of tax rules to apply as a function of

the customer location information, the contract characteristics, and the contract type;" and "calculating a tax amount based on the contract characteristics, the contract type, and the set of tax rules."

2. The method of claim 1 is a "computer based method."

3. The last step of claim 1 is "selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules."

4. The "paying party" is not explicitly defined in the Specification. However, the Specification describes an embodiment of the invention where the method "includes the step of determining a paying party who will pay the tax amount as a function of the set of state and local rules." (Specification [59]). This follows the language of the claim step in question. This suggests that the claimed "paying party" can be any person or thing as long as it is capable of "pay[ing] the tax amount, as a function of the set of tax rules" (claim 1).

5. The "group of paying parties" is not explained in the Specification. Presumably, like the "paying party," "group of paying parties" refers to a group of people or things capable of "pay[ing] the tax amount, as a function of the set of tax rules" (*id.*). This encompasses a large class of tax-paying members able to pay the imposed tax.

6. The "tax amount" refers to the result of the fifth step of claim 1, where the tax amount is calculated "based on the contract characteristics, the contract type, and the set of tax rules."

7. The term "function," as used in the context of the claim and as ordinarily and customarily used, means "depend on and varies with." *See Webster's New World Dictionary* (3rd Ed. 1988.)(Entry 5 for "function:" "a thing that depends on and varies with something else.").

8. The claimed "tax rules" refers to the result of the fourth step of claim 1, where "an appropriate set of tax rules to apply as a function of the customer location information, the contract characteristics, and the contract type" are automatically determined.

The scope and content of the prior art

9. Hoyt relates to a computer-implemented system for automating the negotiation, approval, and generation of contracts. (col. 2, ll. 1-3).

10. Hoyt's system stores all contracts and contract components in a central repository or contract database. (col. 2, ll. 41-42).

11. Manzi relates to a computer assisted method for managing use taxes on leased equipment. (col. 2, ll. 27-28).

12. Manzi describes a system which takes contract type into account when determining use taxes. See the lease activity module described at (col. 3, ll. 48-52).

13. Manzi describes a system which determines an appropriate set of tax rules for a piece of leased equipment and that takes jurisdiction into account. (col. 3, l. 53-67).

14. Manzi describes a calculation of a use tax that its system would perform which takes into account information about characteristics

of the lease contract as well as tax rules. (col. 4, ll. 50 to col. 5, l. 26).

15. Longfield describes a system for processing electronically filed tax returns and payments of refunds. (col. 1, ll. 23-29).

Any differences between the claimed subject matter and the prior art

16. The claimed method combines steps into a single method that are separately disclosed in the cited prior art.

The level of skill in the art

17. Neither the Examiner nor the Appellant has addressed the level of ordinary skill in the pertinent art of using computers to automatically determine taxes on equipment contracts. We will therefore consider the cited prior art as representative of the level of ordinary skill in the art. *See Okajima v. Bourdeau,* 261 F.3d 1350, 1355 (Fed. Cir. 2001) ("[T]he absence of specific findings on the level of skill in the art does not give rise to reversible error 'where the prior art itself reflects an appropriate level and a need for testimony is not shown'") (Quoting *Litton Indus. Prods., Inc. v. Solid State Sys. Corp.*, 755 F.2d 158, 163 (Fed. Cir. 1985)).

Secondary considerations

18. There is no evidence on record of secondary considerations of non-obviousness for our consideration.

PRINCIPLES OF LAW

Obviousness

"Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such

that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1734 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, and (3) the level of skill in the art. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). *See also KSR*, 127 S.Ct. at 1734 ("While the sequence of these questions might be reordered in any particular case, the [Graham] factors continue to define the inquiry that controls.") The Court in Graham further noted that evidence of secondary considerations "might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented." 383 U.S. at 17-18.

ANALYSIS

The Appellant argued claims 1-7, 9-22, and 48 as a first group (App. Br. 11-14). We select claim 1 as the representative claim for this first group, and the remaining claims 2-7, 9-22, and 48 stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(vii) (2007). The Appellant argued claims 23 (App. Br. 14-15) and 49 (App. Br. 15-16) separately.

Claim 1

The Appellant argued that "none of Hoyt, Manzi, and Longfield, either alone or in any combination, disclose or suggest each and every element as set forth in the claims." (App. Br. 11). The focus of the argument is entirely on the claim step "selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules." The

Appellant argued that this limitation of claim 1 is not disclosed or suggested in the cited prior art. (App. Br. 11).

The Examiner had found that Hoyt "disclose[s] a method for automatically determining taxes for a contract for equipment, including the steps of establishing a set of contract characteristics (provided by central registry 306); establishing customer location information (inherent to the data inputted into the contract formation system)." (Final Rejection 2). See also (Answer 3-4). The Appellant has not disputed the Examiner's findings with respect to the scope and content of Hoyt. Accordingly, the Examiner's characterization of the scope and content of Hoyt will be taken as accepted by the Appellant.

The Examiner had found that Manzi "disclose[s] determining an appropriate set of tax rules to apply as a function of the customer location information (col. 3); determining a contract type based on the contract characteristics under the set of tax rules (col. 4 lines 20-38); and, calculating a tax amount based on the contract characteristics, the contract type, and the set of tax rules (Tax is paid, see abstract 2nd to last sentence)." (Final Rejection 2). See also (Answer 4). The Appellant has not disputed the Examiner's characterization of the scope and content of Manzi. Accordingly, the Examiner's characterization of the scope and content of Manzi will be taken as accepted by the Appellant.

Accordingly, there is no dispute that Hoyt and Manzi describe the claim steps "establishing a set of contract characteristics" (Hoyt); "establishing customer location information" (Hoyt); "determining a contract type based on the contract characteristics" (Manzi); "determining an appropriate set of tax rules to apply as a function of the customer location

information, the contract characteristics, and the contract type" (Manzi); and, "calculating a tax amount based on the contract characteristics, the contract type, and the set of tax rules" (Manzi).

We should point out that, but for the use of a computer, each of the steps claimed could be performed manually or solely through mental steps. In that regard, both Hoyt and Manzi employ computers and relevant software in performing their methods for automating the negotiation, approval, and generation of contracts and managing use taxes on leased equipment, respectively. FF 9 and 11. Given Hoyt and Manzi, one of ordinary skill in the art would be led to automate these steps. Nevertheless, it is well settled that it is not an "invention" to broadly provide a mechanical or automatic means to replace manual activity which has accomplished the same result. *In re Rundell*, 48 F.2d 958, 959 ("Appellant argues that his rejected claims rest upon an automatic mechanism. The mere statement that a device is to be operated automatically instead of by hand, without a claim specifying any particular automatic mechanism, is not the statement of an invention." Also, it is generally obvious to automate a known manual procedure or mechanical device. Our reviewing court stated in *Leapfrog Enterprises Inc. v. Fisher-Price Inc.*, 485 F.3d 1157 (Fed. Cir. 2007) that one of ordinary skill in the art would have found it obvious to combine an old electromechanical device with electronic circuitry "to update it using modern electronic components in order to gain the commonly understood benefits of such adaptation, such as decreased size, increased reliability, simplified operation, and reduced cost. . . . The combination is thus the adaptation of an old idea or invention . . . using newer technology that is commonly available and understood in the art." *Id.* at 1163.

The Examiner determined that "[i]t would have been obvious to one of ordinary skill in the art at the time of the invention to modify the method in [Hoyt] to include a lease-based scheme as taught by [Manzi] in the automatic contract former of [Hoyt], the motivation for which is found in the streamlining of processes." (Answer 4). We agree with this determination. One may combine references such that the result is more desirable because it is "faster … or more efficient." *See Dystar Textlifarben GmbH & Co. Deutschland KG v. C.H. Patrick Co.,* 464 F.3d 1356 (Fed. Cir. 2006); see also *Sandt Tech., Ltd. v. Resco Metal & Plastics Cor*p., 264 F.3d 1344, 1355 (Fed. Cir. 2001). Furthermore, as indicated above, each of Hoyt and Manzi describe the first five steps of the claimed process. The first five steps of claim 1 appear to be a combination of the steps described in Hoyt and Manzi. We see no unpredictable results from combining these prior art steps and the Appellant has not come forward with sufficient evidence showing the combination to yield a result that would have been unpredictable to one of ordinary skill in the art. Under these circumstances, the combination would have been obvious. See *KSR* at 1740 ("Finally, in *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 96 S.Ct. 1532, 47 L.Ed.2d 784 (1976), the Court derived from the precedents the conclusion that when a patent "simply arranges old elements with each performing the same function it had been known to perform" and yields no more than one would expect from such an arrangement, the combination is obvious. *Id.*, at 282, 96 S.Ct. 1532.")

We turn now to the issue at hand: whether the cited prior art would have led one of ordinary skill in the art to include the last step in the claim, i.e., "selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules."

The Examiner conceded that "[t]he above combination [of Hoyt and Manzi] appears silent regarding the feature of selecting a paying party from a group of paying parties to pay the tax amount as a function of the set of tax rules." (Answer 5). The Examiner relied on Longfield which, according to the Examiner, "discloses plural paying parties, namely an authorized preparer or an authorized financial institution 100 (col. 3, lines 41+), and depending upon a given set of rules which are established in advance, selecting one to be a payor." (Answer 5). The Examiner determined that

> It would have been obvious to one of ordinary skill in the art at the time of the invention to modify the aforesaid combination of Hoyt in view of Manzi to include the teaching of Longfield to provide a selection between parties would are to pay on another's behalf based on predetermined rules, the motivation being that the person most responsible for the paying should be the one who should pay.

(Answer 5).

The Appellant disagreed, arguing that Longfield is inapposite because "Longfield discloses making tax refunds available to tax filers in the form of a loan or a secured credit card. The "paying parties, namely an authorized preparer or an authorized financial institution" disclosed in Longfield are not parties paying taxes to the IRS. Rather, these parties grant loans to taxpayers anticipating a refund. Indeed, nowhere does Longfield disclose a payor paying taxes to the IRS." (App. Br. 12). "[A]s Longfield discloses receiving a refund, it cannot teach paying taxes." (App. Br. 13) (emphasis original.) The Appellant also argued that Longfield does not disclose paying a tax amount as a function of the set of tax rules. "Disclosing selection of a "paying" party who provides a loan based on an anticipated tax refund and

who must abide by a given set of rules does not constitute "selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules," as recited in claim 1. (App. Br. 13) (emphasis original.)

The Examiner responded by arguing that

> Longfield discloses selecting a payor from among a group of paying parties, including a financing company (e.g. bank credit card issuer), a tax preparer, or the IRS, based upon tax rules (see IRS Pub 1345, it lists authorized RAL filers who are also payors). Thus, Longfield provides a teaching for selecting payors based upon a set of tax rules, the tax rules setting forth the requirements allowing a preparer to be considered authorized or not. In the examiner's view, Longfield is responsive to the tax rules aspect of the claim language and Manzi is responsive to the commercial aspect of the selection process (customer location, contract characteristics, etc.). The motivation to combine is clear given that almost every commercial transaction has both private and governmental components to it.

(Answer 7-8).

The Appellant's response included repeating the arguments made in the opening brief. See (Reply Br. 2-4).

To settle the dispute over whether Longfield describes the claim step "selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules" we must first construe the step such that the claim is given the broadest reasonable construction in light of the Specification as it would be interpreted by one of ordinary skill in the art. *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004).

Once the claim has been correctly construed to define its scope and the meaning of the contested limitation, the scope and content of the prior art (here Longfield) can be ascertained and differences, if any, between the claimed subject matter and the prior art determined.

The claim step "selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules" requires construing the following claim terms: (a) a "paying party," (b) a "group of paying parties," (c) a "tax amount," (d) "function," and (e) "tax rules." (a) "Paying party" covers any person or thing as long as it is capable of "pay[ing] the tax amount, as a function of the set of tax rules" (claim 1). FF 4. (b) "Group of paying parties" covers a group of people or things capable of "pay[ing] the tax amount, as a function of the set of tax rules" (claim 1). FF 5. (c) The "tax amount" refers to the result of the fifth step of claim 1, where the tax amount is calculated "based on the contract characteristics, the contract type, and the set of tax rules" (claim 1). FF 6. (d) "Function" means "depend on and varies with". FF 7. (e) And, finally, the claimed "tax rules" refers to the result of the fourth step of claim 1, where "an appropriate set of tax rules to apply as a function of the customer location information, the contract characteristics, and the contract type" (claim 1) are automatically determined. FF 8.

In light of the analysis above, the broadest reasonable construction of the step of "selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules" is that it covers a step of selecting someone to pay the tax resulting from the fifth step of the claim depending on the set of tax rules resulting from the fourth step of the claim. Claim 1 does not limit the function of the set of tax rules in determining

which paying party will be selected to pay the tax amount. That is, claim 1 leaves open the manner by which the set of rules resulting from the fourth step of the claim determines who will be selected to pay the tax resulting from the fifth step of the claim. That means the last step of claim 1 encompasses selecting someone to pay the tax amount once the tax is calculated from the tax rules, from among those capable of paying that tax.

Accordingly, the issue is whether one of ordinary skill would be led to modify the combined steps of "establishing a set of contract characteristics"; "establishing customer location information"; "determining a contract type based on the contract characteristics"; "determining an appropriate set of tax rules to apply as a function of the customer location information, the contract characteristics, and the contract type"; and "calculating a tax amount based on the contract characteristics, the contract type, and the set of tax rules," that has been determined to be obvious over the combination of Hoyt and Manzi, to include a step of selecting someone to pay the tax amount once the tax amount is calculated from the tax rules, from among those capable of paying that tax, in light of Longfield. We find that one of ordinary skill would have so been led.

Selecting someone to pay a tax amount would logically follow from practicing the Manzi method. That Manzi describes calculating a tax amount from tax rules taking customer location information, contract characteristics, and contract type into account as claimed is not in dispute. Common sense tells us that any tax, when imposed, must be paid by someone and according to a particular tax rule. Longfield, which mentions preparing tax returns, is evidence of this well known principle. Tax returns are routinely filed by those on whom a tax amount has been imposed and who's status as the

selected taxpayer responsible for paying the tax depend on certain tax rules; e.g., tax rates function to select certain taxpayers to pay a tax from a group of taxpayers depending on income. While we agree with the Appellant that Longfield describes authorization and payments of refunds (Reply Br. 20), patents are "relevant for all they contain" (*In re Heck*, 699 F.2d 1331, 1333 (Fed. Cir. 1983)). In that regard, the only difference between the method resulting from combining steps described in Hoyt and Manzi is the addition of a step of "selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules." Given its broadest reasonable construction, this is a step which is suggested by the common act of paying taxes, as evidenced by Longfield. The question then is whether "the improvement is more than the predictable use of prior art elements according to their established functions." *KSR* at 1740. We do not see, and the Appellant has not submitted sufficient evidence to support finding, an unpredictable result from adding the known step of "selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules," to the method resulting from the combination of steps described in Hoyt and Manzi.

Accordingly, we are satisfied that the Examiner has established a prima facie case of obviousness. Having found the Appellant's argument unpersuasive as to error in the rejection and there being no evidence on record of secondary considerations of nonobviousness for our consideration, we will sustain the rejection. We reach the same conclusion as to the claims depending on claim 1, namely claims 2-7, 9-22, and 48, which were not separately argued.

Claims 23 and 49

Like claim 1, claims 23 and 49 are computer based methods for automatically determining taxes for a contract for equipment comprising the steps of "selecting a paying party from a group of paying parties, to pay the tax amount, as a function of the set of tax rules" and "selecting a paying party from a group of paying parties including a dealer, a financing company, and the customer, to pay the tax amount, based on the set of tax rules determined as a function of the customer location information, the contract characteristics, and the contract type," respectively.

The Appellants reiterate the argument made against claim 1 in arguing that the steps drawn to selecting a paying party set forth in claims 23 and 49 are not disclosed or suggested in the cited prior art. We do not find the argument persuasive as to error in their rejection for the same reasons we found it unpersuasive as to error in the rejection of claim 1.

We reach the same conclusion as to the claims depending on claims 23 and 49, namely claims 2-7 and 9-22, which were not separately argued.

CONCLUSIONS OF LAW

We conclude that the Appellants have not shown that the Examiner erred in rejecting claims 1-7, 9-23, 48, and 49 under 35 U.S.C. §103(a) as being unpatentable over Hoyt, Manzi, and Longfield .

DECISION

The decision of the Examiner to reject claims 1-7, 9-23, 48, and 49 is affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv) (2007).

AFFIRMED

JRG

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